

The Treasury Note



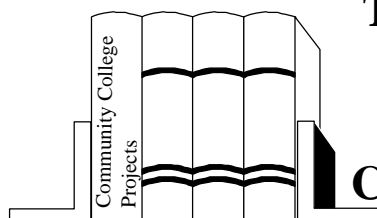
A monthly newsletter
of municipal finance
May 1, 1997

California's Economy Continues To Improve

The Anderson Graduate School of Management at UCLA presented its business forecast at their 46th annual conference held on March 27.

The national economic outlook continues to call for moderate growth, low inflation and a generally stable economic environment. The nation's real Gross Domestic Product (GDP) growth is estimated to be 2.5% for 1997 and 1998, and then dropping off slightly to 2.4% in 1999. According to Tom Lieser, an economist from the UCLA Business Forecasting Project, California is expected to have diverse and robust job growth.

Nonfarm employment in California is expected to grow by 347,000 in 1997, 289,000 in 1998, and 290,000 in 1999. California's unemployment rate, which was 6.8% of the labor force in January, is projected to fall below 6% in 1998. California's personal income is projected to increase about 3% per year during the next two years. Real taxable sales have recovered from losses experienced from 1989 to 1993 and are expected to increase about 3% annually from 1997 to 1999.



Treasurer Sells Bonds For Community College Projects

On March 26, the California State Public Works Board sold \$65,550,000 of lease revenue bonds to a syndicate led by Prudential Securities Inc. The overall true interest cost to the State was 5.52%. The bonds were set with coupons ranging from 4.70% to 5.90%. Proceeds of the sale will be used to finance 29 different projects for various college districts throughout California.

From The Budget Front

Revenues for the month of March were \$24 million above the 1997-98 Governor's Budget forecast of \$2,963 million. Year-to-date, revenues are \$305 million above the 1997-98 Governor's Budget. Personal income has contributed to most of the revenue gains.

The Department of Finance is expected to distribute the May Revision of Revenues and Expenditures in late May. The May Revision provides an update of General Fund revenues, expenditures, and reserve estimates based on the latest economic forecast. Information on the May Revision will be in the next issue of *The Treasury Note*.

According to the Department of Finance, California's economy is continuing to expand. For the first time in February, nonfarm employment passed the 13 million milestone. California's unemployment rate fell to 6.5 percent, the largest one-month decline in at least ten years.

Underwriting Team For Rate Reduction Bonds

During 1996, legislation was enacted to deregulate California's electric utility industry. The legislation also authorized the issuance of Rate Reduction Bonds (RRBs) to refinance the investor-owned and participating public utilities' stranded costs. The RRBs will be sold in the asset-backed securities market in the latter part of 1997.

The State Treasurer is currently selecting qualified firms to serve as underwriters for the RRBs. Interviews with top firms in the asset-backed securities market were held April 18. So far, the State Treasurer has appointed Morgan Stanley & Co. Inc. and Salomon Brothers Inc. to serve as lead bankers/underwriters for the financing. Selection of the firms to serve as co-lead bankers/underwriters will be announced in May.

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Ask The State Treasurer

Q: Can investors purchase bonds directly from the State?

A: The State Treasurer does not sell bonds directly to investors mainly for two reasons: (1) the statutes for some bond programs only allow the Treasurer to sell bonds by the entire lot; and (2) it is too expensive for the State to set up administrative staff to handle the subscription and collection activities for each individual investor.

The State sells the entire issue to an underwriting banker (or an underwriting syndicate for a large sale). The underwriting banker then sells these bonds to individual investors.

Q: I don't remember receiving my interest checks. How do I find out if my interest checks have been cashed?

A: You may call the *Bondholder Services Section* at (916) 653-2884 to find out the status of your interest checks. If you require a copy of the canceled interest check, your request needs to be in writing and mailed or faxed to us at the address or fax number on the previous page.

Q: Do you charge any fees for re-registering my State of California bond?

A: The State Treasurer's Office does not impose any fees for registration or payment requests of State of California bonds and coupons.

Questions???

Do you have a question you would like to ask the Treasurer? Send it to the *Investor Relations Program* at P.O. Box 942809, Sacramento, CA 94209-0001.

The Treasury Note Mailing List

If you would like to be on the mailing list to receive *The Treasury Note* monthly, please send your name and address to the *Investor Relations Program* at P.O. Box 942809, Sacramento, CA 94209-0001.

Bond Sales Calendar

The Bond Sales Calendar for the remainder of 1997 is being developed. Look for the calendar in the next issue of *The Treasury Note*.

Listing of Redemptions

There are no redemptions for June 1, 1997.

Attention Registered Bondholders:

The State Treasurer's office is planning to implement an Electronic Fund Transfer (EFT) program for bond interest payments. If you would be interested in receiving your interest payments via EFT, please call (916) 653-2884.

For Your Information

General Fund Supported Debt

April 1, 1997

Amounts in Thousands

General Obligation (Non-Self Liquidating)

	<u>Outstanding</u>	<u>Unissued</u>
Health and Safety	\$ 740,018	\$ 3,323,862
Education	7,850,910	2,934,740
Natural Resources	1,239,410	106,850
County Corrections Facilities	1,024,701	26,234
Housing and Homeless Bonds	231,970	-
Prison Construction	1,569,198	69,872
Passenger Rail & Transportation	1,717,509	964,936
Total G.O. (Non-Self Liquidating)	<u>\$ 14,373,716</u>	<u>\$ 7,426,494</u>

Lease Debt

	<u>Outstanding</u>	<u>Unissued</u>
Community Colleges	\$ 602,680	\$ 99,435
Department of Corrections	2,826,293	132,582
Energy Efficiency	157,070	279,220
Regents of the University of California	1,039,456	156,572
Trustees of the California State University	625,910	147,835
Various State Office Buildings	890,255	924,372
Total Lease Debt	<u>\$ 6,141,664</u>	<u>\$ 1,740,016</u>
Grand Total	<u>\$ 20,515,380</u>	<u>\$ 9,166,510</u>

Popular "Hits" On The Treasurer's Web Site

The Treasurer's web site (<http://www.treasurer.ca.gov>) offers a wealth of information to the investment community. During the month of March, the top-ten accessed pages within the Treasurer's web site were:

1. Home Page
2. Upcoming Bond Sales, Redemptions & Official Statements
3. News Releases & Publications
4. Inside the State Treasurer's Office
5. CDIAC Page
6. Credit Rating Process
7. Upcoming Bond Sales
8. CDIAC-Draw on Reserve/Default Reports
9. Special Issues
10. Treasurer's Topic: Pacific Rim